

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 09 MANAMA 000103

SIPDIS

DEPT FOR NEA/ARP AND EB/IFD/OIA
DEPT PASS USTR JBUNTIN
USDOC FOR 4520/ITA/MAC/ONE/CLOUSTAUNAU AND THOFFMAN

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ETRD](#) [BA](#)

SUBJECT: BAHRAIN INVESTMENT CLIMATE STATEMENT 2005

REF: 04 STATE 250356

1. The following is post's Investment Climate Statement submission for 2005.

2. Begin text:

INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

The government of Bahrain has a generally liberal approach to foreign investment and is eager to improve Bahrain's attractiveness to international investors and businesses. Top government officials make frequent public statements citing growth of foreign investment as one of the government's main priorities. According to the United Nation Conference on Trade and Development's (UNCTAD) 2004 World Investment Report, Bahrain rates number 29 in attracting foreign direct investment (FDI), with FDI averaging \$1.7 billion annually over the past three years. The government has focused its efforts on the entry of new private firms, particularly in the information and communications technology, education and training services, tourism, financial services, business services, healthcare services and downstream industries. Bahrain's Crown Prince is also an outspoken proponent of privatization in Bahrain. The Crown Prince took over the chairmanship of the Economic Development Board (EDB), a "one-stop-shop" for potential investors, and in 2004 was entrusted with the King's labor, economic, and training reform visions. On September 14 2004, the U.S. and Bahrain signed a bilateral free trade agreement (FTA), a comprehensive agreement that will remove trade barriers and expand commercial opportunities for the peoples of both countries. Ratification is expected early 2005. 100 percent of bilateral trade in consumer and industrial products will become duty-free immediately upon entry into force of the Agreement. In addition, Bahrain and the United States will provide duty free access on virtually all products in their tariff schedules and will phase out tariffs on the remaining handful of products within ten years. Under the Agreement, which covers all agricultural products, Bahrain will provide immediate duty-free access for U.S. agricultural exports in 98 percent of agricultural tariff lines. Bahrain will phase out tariffs on the remaining products within ten years. Additionally, Bahrain will accord substantial market access across its entire services regime, providing among the highest degree of market access of any U.S. free trade agreement negotiated to date. Key services sectors covered by the Agreement include audiovisual, express delivery, telecommunications, computer and related services, distribution, healthcare, services incidental to mining, construction, architecture and engineering. Bahrain has earned a reputation as the Gulf region's preeminent financial center. The Bahrain Monetary Agency (BMA) meets the highest international standards of financial regulation, and the Government of Bahrain has been a leader in combating terrorist financing and money laundering.

The Bahrain Stock Exchange (BSE) allows GCC firms and GCC persons to own up to 100 percent of listed companies. Non-GCC firms/persons may own up to 49 percent of listed companies. The Minister of Commerce chairs the BSE Board of Directors, but it is operated as an independent corporate entity. The Minister announced that within three years non GCC-nationals would be offered up to 100 percent ownership. Under the terms of the Bilateral Investment Treaty (BIT), U.S. investors gained MFN (or GCC) treatment beginning January 1, 2005.

In March 2004, as part of an effort to stimulate the insurance industry and reinforce Bahrain's position as a major insurance center in the Middle East, the BMA lifted the requirement that foreign insurance brokers and loss adjusters have a local partner to operate. These firms, which were previously required to have at least 51 percent Bahraini ownership, are now permitted to operate with 100 percent foreign ownership. The BMA is holding consultations on further reform in areas such as captive insurance, solvency, business conduct, risk management and financial crime, enforcement, BMA reporting and public disclosure,

intermediaries, and Islamic insurance. Taxation and import laws apply equally to Bahraini and foreign-owned companies, and foreign investors must comply with the same requirements and legislation, as do local firms.

In anticipation of the Gulf Cooperation Council Customs Union, Bahrain reduced customs tariffs to five percent in January 2002 for imported goods, except alcohol (125 percent) and tobacco (100 percent), and exempted a list of 417 food and medical items from customs duties entirely. Bahrain was required to implement its GCC customs union requirements in 2005, but in fact implemented them in 2003. Upon ratification of the U.S.-Bahrain FTA, 98 percent of U.S. exports to Bahrain will enter duty free.

In an economy largely dominated by parastatals (outside of the financial services sector), the Government of Bahrain seeks to foster a greater private sector role in economic growth. Following the creation of a Supreme Privatization Council in the spring of 2001, the King of Bahrain, Shaikh Hamad bin Isa Al-Khalifa, issued a decree on October 2002 laying out guidelines for privatizing tourism, telecommunications, transport, electricity and water, ports and airport services, oil and gas and postal service sectors.

The telecommunications sector was the first key sector to be liberalized in Bahrain following the government's announced interest in opening traditionally government-controlled industries. The Telecommunications Regulatory Authority (TRA), established in late 2002, awarded a mobile telecommunications services license to MTC Vodafone, thus ending the monopoly of Bahrain's telecom services provider, BATELCO. The license was awarded under the Telecommunications Law, which took effect January 2003. Telecommunications liberalization also extended to paging services, very small aperture terminal (VSAT), public access mobile radio services, international telecommunications facilities, international telecommunications services, national fixed services, internet service provider (ISP) and value-added services license following the full liberalization of the sector on July 1, 2004. As of December 2004, the TRA announced the provision of three International Telecommunications Facility licenses (IFLs), five International Telecommunications Services Licenses (ISLs), five VSAT licenses, fifteen value-added Services (VAS) "Class" licenses and eight Internet Service Provider (ISP) licenses.

The public transportation service was also privatized in 2003. CARS, a Bahraini-UAE joint venture, started operating in May 2003 with 41 new, air-conditioned, 52-seat buses. The CARS company completed its plan to acquire 20 new buses by the end of 2003. Its total investment in the public transportation privatization project is approximately \$10 million.

The Kingdom's first independent power plant project (IPP) was also successfully tendered and awarded in 2004 to Bahraini-based Al Ezzel Independent Power Producer (IPP), which is equally owned by a Belgian-Gulf consortium of Tractebel EGI and Gulf Investment Corporation.

Four international operators have also been short-listed to manage Mina Salman and the new Hidd port.

The Government, under the privatization law, has made a commitment to gradually dispose of its interests and stakes in certain companies. But the National Assembly's lower house members (Council of Representatives) have criticized the Government's disinvestment of the remaining state holdings in the Bahrain Telecommunication Company (BATELCO).

Bahrain requires that pharmaceutical products be imported directly from a manufacturer with a research department and that the products be licensed in at least two other GCC countries, one of which must be Saudi Arabia. Drugs and medicines may be imported only by a drug store or pharmacy licensed by the Ministry of Commerce after approval by the Ministry of Health. Bahrain prohibits the importation of weapons (except under special license), pornography, wild animals, radio-controlled model airplanes, foodstuffs containing cyclamates, and children's toys containing methyl chloride (and other articles declared harmful by the Ministry of Health). Bahrain is also taking steps to ban the import of 127 chemicals.

Bahrain has phased out most subsidies for export industries, but permits duty-free importation of raw materials for export products and of equipment and machinery for newly established export industries. All industries in Bahrain, including foreign-owned firms, benefit from government-subsidized utilities.

Periodically, foreign firms experience difficulty obtaining required work permits and residence visas for expatriate employees due to the Bahraini government's efforts to promote greater numbers of Bahraini citizens in the workforce. However, this does not appear to be a matter of

high-level policy, and often can be resolved on a case-by-case basis. Where problems occur, U.S. businesses are encouraged to apply to the highest levels of the concerned ministries and to consult the U.S. Embassy.

Bahrain offers several advantages to U.S. investors, including a Bilateral Investment Treaty with the United States (in force as of May 2001) and a bilateral Free Trade Agreement (FTA) signed in September 2004.

The government actively seeks Bahraini and foreign private investments in large infrastructure projects. Previously, most such activity (other than hotels) was funded by development agencies from other Gulf countries (particularly Kuwait, UAE, and Saudi Arabia). Foreign-owned companies are eligible for partial financing from the state-owned Bahraini Development Bank (BDB), if they meet certain criteria such as providing training and employment to a significant number of Bahrainis.

CONVERSION AND TRANSFER POLICIES

Bahrain has no restrictions on the repatriation of profits or capital and no exchange controls. Bahrain's currency, the Bahraini Dinar (BD), is fully and freely convertible at the fixed rate of USD 1.00 = BD 0.377 (1 BD = \$2.659). There is no black market or parallel exchange rate. Foreign exchange is readily available and a devaluation of the Bahraini Dinar over the next year is highly unlikely. There are no restrictions on converting or transferring funds, whether or not it is associated with an investment.

EXPROPRIATION AND COMPENSATION

There have been no expropriations in recent years and no cases in contention. The U.S.-Bahrain Bilateral Investment Treaty (BIT) protects U.S. investments by banning all expropriations (including "creeping" and "measures tantamount to") except those for a public purpose. In such a case, it must be carried out in a non-discriminatory manner, with due process, and prompt, adequate, effective compensation.

DISPUTE SETTLEMENT

Bahrain has a long-established framework of commercial law. English is widely used, and well-known international (including U.S.) law firms, working in association with local partners, provide expert legal services both nationally and regionally. Fees are charged according to internationally accepted practices. Although only a Bahraini lawyer can argue in a Bahraini court of law, lawyers of other nationalities can and do work on cases.

From May 2001, the U.S.-Bahraini BIT provides for three dispute settlement options: 1) submitting the dispute to a local court; 2) invoking dispute-resolution procedures previously agreed upon by the national or company and the host country government; and 3) submitting dispute for binding arbitration to ICSID (International Center for Settlement of Investment Disputes) or any arbitral institution agreed upon by both parties.

The GCC Commercial Arbitration Center, established in 1995, serves as a regional specialized body providing arbitration services. It assists in resolving disputes between GCC countries or between other parties and GCC countries. The Center implements rules and regulations in line with accepted international practice. Thus far, few cases have been brought to arbitration. The Center conducts seminars, symposia, and workshops to help educate and update its members of any new arbitration related matters. The Center's contact details are as follows:

GCC Commercial Arbitration Center
P.O. Box 2338
Manama, Kingdom of Bahrain
Tel: +(973) 17-214-800
Fax: +(973) 17-214-500
Website: www.gccarbitration.com
Email: arbit395@batelco.com.bh

Arbitration procedures are largely a contractual matter. Disputes are historically referred to an arbitration body as specified in the contract, or to the local courts. Increasingly, Bahraini companies, in dealings with both local and foreign firms, include arbitration procedures in their contracts. Most commercial disputes are resolved privately without recourse to the courts or formal arbitration. Bahraini law is generally specified in all contracts for the settlement of disputes that reach the stage of formal resolution. Occasional lawsuits against individuals or companies for nonpayment of debts have been adequately handled by Bahrain's court system. The guidelines laid down by the International Chamber of Commerce (ICC) in Paris are generally respected, and disputes have been

occasionally referred to arbitration at the ICC in Paris. Bahrain is a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitration Awards.

The United States government, under the Middle East Partnership Initiative, is providing technical assistance to Bahrain to expand the use of Alternative Dispute Resolution techniques in commercial law disputes. Some American firms have complained of Bahraini courts' willingness to accept cases involving termination of contract when the U.S. firm believes it was firmly within its rights to terminate the contract.

PERFORMANCE REQUIREMENTS AND INCENTIVES

There are no special performance requirements imposed on foreign investors. This is reinforced by the U.S.-Bahrain BIT, which forbids mandated performance requirements as a condition for the establishment, acquisition, expansion, management, conduct or operation of a covered investment. Foreign and Bahraini-owned companies must meet the same requirements and comply with the same environmental, safety, health, and other labor requirements. Officials at the Ministries of Labor, Commerce, and Industry supervise, on a non-discriminatory basis, companies operating in Bahrain.

Industries must be set up in identified industrial areas. An Environmental Impact Statement (EIS) must be filed by all manufacturing facilities. After one complete year of operation, a manufacturing facility is eligible for relief from tariffs imposed by other GCC states on imported goods.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

In principle, private entities may freely establish, acquire, and dispose of interests in business enterprises, subject to the limitations noted in this chapter.

The U.S.-Bahrain Bilateral Investment Treaty (BIT) provides benefits and protection to U.S. investors in Bahrain, such as most-favored-nation treatment and national treatment, the right to make financial transfers freely and without delay, international law standards for expropriation and compensation cases, and access to international arbitration. The BIT guarantees national treatment for U.S. investments across all sectors, with exceptions for ownership of television, radio (or other media), fisheries, and privatization of oil dredging or exploration. Bahrain also provides most-favored-nation or national treatment status to U.S. investments in air transportation, the buying or ownership of land, and the buying or ownership of shares traded on the Bahrain Stock Exchange (BSE).

Because of the national treatment offered American firms in the Bilateral Investment Treaty (BIT), American firms interested in selling products exclusively in Bahrain are no longer required to appoint a commercial agent, though many chose to do so anyway. A commercial agent is any Bahraini party appointed by a foreign party to represent the foreign party's product or service in Bahrain.

Bahrain permits 100 percent foreign-ownership of new industrial entities and the establishment of representative offices or branches of foreign companies without local sponsors. Wholly foreign-owned companies may be set up for regional distribution services and may operate within the domestic market as long as they do not exclusively pursue domestic commercial sales. Private investment (foreign or Bahraini) in petroleum production is permitted only under a production-sharing agreement with BAPCO, the state-owned petroleum company.

Since January 2001, foreign firms and GCC nationals may own land in Bahrain. Non-GCC nationals may now own high-rise commercial and residential properties, as well as property in tourism, banking, financial and health projects, and training centers, in specific geographic areas.

PROTECTION OF PROPERTY RIGHTS

The Bahraini legal system adequately protects and facilitates acquisition and disposition of property rights. The concept of a mortgage exists, and there is a recognized and reliable system of recording such security interests. However, there is currently no mortgage law that guarantees lenders the right to repossess property in case of mortgage non-repayment.

The U.S.-Bahrain FTA commits Bahrain to enforce world-class IPR protection. Bahrain signed the Berne Convention for the Protection of Literary and Artistic Works and the Paris Convention for the Protection of Industrial Property in 1996. Revised legislation to implement Bahrain's obligations under the TRIPS Agreement is currently under review. Bahrain is also considering joining the WIPO Copyright Treaty and

the WIPO Performances and Phonograms Treaty. Bahrain has drafted and is in the process of passing new laws related to intellectual property to bring Bahrain's local laws into compliance with its current Paris Convention commitment and to position it to join the Nice Agreement, Vienna Agreement, Patent Cooperation Treaty, Trademark Law Treaty, Madrid Agreement, Budapest Treaty, and the Rome Convention.

The government has made dramatic progress in reducing copyright piracy, and there are no reports of significant violations of U.S. patents and trademarks in Bahrain. The government's copyright enforcement campaign began in late 1997 and was based on inspections, closures, and improved public awareness. The campaign targeted the video, audio and software industries, with impressive results. The commercially pirated video and audio markets have been virtually eliminated. However, software piracy, which has shifted from retail to end-user violations, remains problematic.

There are no technology transfer requirements that force firms to share or divulge technology through compulsory licensing to a domestic partner, nor are firms forced to commit to undertake research and development activities in Bahrain.

TRANSPARENCY OF THE REGULATORY SYSTEM

In October 2002, Bahrain implemented a new government procurement law that establishes the basic framework for a transparent, rules-based government procurement system. It provides that certain procurements may be conducted as international public tenders open to foreign suppliers. To implement this law, a tender board, chaired by a Minister of State, was established in January 2003 to oversee all government tenders and purchases. In the past, government-tendering procedures for large projects were not highly transparent. U.S. companies sometimes reported operating at a disadvantage compared with other international firms. Contracts were not always decided solely based on price and technical merit, and selected, pre-qualified firms were occasionally invited to bid on major government tenders. As of January 2003, however, the Tenders Board processes all tender decisions valued at \$26,525 (BD 10,000) or higher. Individual ministries and departments may still process projects valued at less than \$26,525 (BD 10,000). U.S. firms report that the process is greatly improved over the previous system, though some challenges remain. U.S. firms have indicated that the Bahraini government does not always strictly follow accepted procedures in the two-envelope (technical and financial) tendering process. A local representative with strong connections may still be important in the bidding process.

In the case of manufacturing enterprises, bureaucratic procedures and red tape created stumbling blocks mainly due to the lack of coordination between government ministries, which must sign off at one stage or another of the licensing procedure.

In an effort to streamline licensing and approval procedures, the Ministry of Commerce opened the Bahrain Investors Center (BIC) in October 2004 for both local and foreign companies seeking to register in Bahrain. This high-tech, customer-friendly facility, located in one of Bahrain's largest malls, is part of a larger effort by the GOB to attract firms to use Bahrain as their "Gateway to the Gulf" by setting up regional operations in the country. The BIC is designed as a "one-stop shop" providing all commercial licensing and registration services. It houses representatives from all relevant ministries (over a dozen) and private sector representatives from the telecommunications, legal, banking, and consulting industries under one roof.

Officials from the Ministry note that the BIC can process and issue 80 percent of commercial registration applications within 24 hours and an additional 10 percent of commercial registrations within five working days. The remaining 10 percent, mostly those having to do with health, environment, power and other essential services, are processed separately according to sector specific regulations and licenses are issued on a case-by-case basis.

Draft legislations are proposed by the Cabinet and by both the lower house (Council of Representatives) and upper houses (Shura Council) of the National Assembly. Once a draft law has been produced and submitted to the lower and upper houses of the National Assembly for approval, it is then passed to the Cabinet for the King's signature. After the King signs the law, the law is published in the Public Gazette and is promulgated.

Entrenched local business interests with influence the government can cause problems for potential competitors. Interpretation and application of the law sometimes varies

by ministry, and may be dependent on the stature and connections of an investor's local partner. However, investors are usually pleased with government cooperation and support.

EFFICIENT CAPITAL MARKET AND PORTFOLIO INVESTMENT

Consistent with the government of Bahrain's liberal approach to foreign investment, government policies facilitate the free flow of financial resources. Foreigners and Bahrainis alike have ready access to credit on market terms. Generally, credit terms are variable, but often are limited to 10 years for loans under \$50 million. For major infrastructure investments, banks will often offer to assume a part of the risk, and Bahrain's onshore and offshore banks have shown extensive cooperation in syndicating loans for larger risks. Generally, Bahrain's banks are described as eager for solid investment opportunities.

The banking system is sound, and undergoes examination and supervision by the Bahrain Monetary Agency (BMA), which has a solid international reputation. In November 2004 Bahrain hosted the inaugural meeting of the Middle East and North Africa Financial Action Task Force (MENA FATF). Bahrain worked hard over the last few years to start this body and to host it in Manama. There was an initial planning meeting in January 2004 in Manama and the FATF unanimously endorsed the MENA FATF proposal in July 2004. Bahrain's leadership was instrumental in the establishment of this regional body.

POLITICAL VIOLENCE

Bahrain experienced intermittent civil unrest in the mid 1990's. These disturbances were directed primarily against the regime, but in a few cases expatriate property, including homes, vehicles, and places of business were damaged or destroyed. Although the situation improved steadily after 1997, the 2002 upsurge in violence between Israelis and Palestinians sparked anti-Israeli and anti-American demonstrations in Bahrain. The protests peaked in April 2002 when a mob attacked the U.S. Embassy and set fire to U.S. Government vehicles. Since that incident, large-scale protest activity has subsided. Bored youths rioted in downtown Manama on December 31, 2002 and inflicted significant damage to public and private property. The 2003 Iraq war sparked a few political protests near the American and British Embassies in which some private and government property was damaged.

In October 2003, the Bahraini Court charged 10 youths for violence during protests against a planned concert by a Lebanese singer whose performance was deemed immoral by Islamists. Protesters threw petrol bombs during pitched battles with police, damaging private vehicles.

In March 2004, rioters protesting liquor sales attacked a restaurant in Bahrain, burning and damaging privately owned vehicles. The foreign co-owner of the restaurant estimated \$15,262 (BD 5,000) worth of physical damage to the property.

The government is prosecuting four extremists who are accused of plotting to attack government and public facilities in Bahrain.

CORRUPTION

According to U.S. firms, high-level corruption is sometimes an obstacle to foreign direct investment and contracting, particularly in the contract-bidding process. In the case of some high-value contracts, government-tendering procedures have not always been transparent and contracts have not always been decided on the basis of price and technical merit. However, petty corruption is relatively rare in Bahrain. The bureaucracy is sometimes inefficient but it is honest. Giving or accepting a bribe is illegal. Officials have been dismissed for blatant corruption, but it is never so stated officially; no one has been tried in court for corruption. The King and Crown Prince have come out publicly in favor of reducing corruption and some Ministries have initiated clean-up efforts to reduce the problem. The expatriate business community is cautiously optimistic that there is growing transparency in the government procurement process. A new law to thoroughly revamp government procurement procedures went into effect in January 2003. Bahrain is not a signatory to the OECD Convention on Combating Bribery.

BILATERAL INVESTMENT AGREEMENTS

Bahrain and the U.S. signed a bilateral investment treaty (BIT) in September 1999, the first BIT between the United States and a GCC state. The agreement entered into force in May 2001.

As of July 2003, Bahrain had bilateral investment protection agreements in place with Algeria, China, Egypt, Jordan, Malaysia, Morocco, Syria, Philippines and the UK. Bahrain has economic and commercial cooperation agreements with

Australia, Bangladesh, China, Egypt, France, Greece, India, (Iraq), Jordan, Morocco, the Netherlands, Russia, Singapore, South Korea, Syria, Tunisia, Turkey and the UK. Bahrain has air transportation tax agreements with China, France, Greece, Singapore, Turkey, UK, U.S. and Yemen, and two transportation agreements with Syria. Bahrain has concluded double taxation agreements with Egypt, France, India, Jordan, Malaysia, Morocco, the Philippines, Thailand and Tunisia.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

On April 25, 1987, Bahrain and the U.S. Government signed an agreement regarding activity in Bahrain by the Overseas Private Investment Corporation (OPIC). The agreement opened the way for extension of such OPIC facilities as investment insurance, reinsurance, and investment guarantees to U.S. private investors interested in doing business in Bahrain.

LABOR

The Bahrain labor force is estimated at 330,000, nearly two-thirds of whom are expatriates. The GOB publicly states that unemployment, which official statistics put at 14.3 percent of Bahrainis in Bahrain's workforce, is the country's foremost domestic political problem. The United Nations Development Program (UNDP) estimates real unemployment among Bahrainis to be 15 to 20 percent and as high as 30 percent in some Shi'ite villages. In 2001 Bahrain's Cabinet approved a two-year project worth over \$65 million to train and update professional skills of unemployed Bahrainis. One of the government's primary initiatives for combating unemployment is "Bahrainization," or the replacement of expatriate workers by national ones. In 2002 the Government of Bahrain reserved certain professions, including heavy vehicle drivers, for Bahraini nationals.

Crown Prince Salman bin Hamad Al Khalifa launched a national debate in 2004 that is aimed at creating a new economic and labor vision for the Kingdom. Draft labor reform legislation seeks to levy a monthly fee to employers of foreign workers. The fees would enter a fund to be used for training Bahraini workers. The proposal has attracted quite a bit of controversy and it is not clear how the issue will be resolved.

The Government of Bahrain is seeking to establish Bahrain as a regional center for human resource development. Bahrain has over 50 training institutes that offer training in a variety of areas such as hospitality, information technology, business studies, English language studies, and banking. Major training institutes include the Bahrain Institute for Banking and Finance (BIBF), Bahrain Training Institute (BTI), KPMG, and the British Council. Bahrain has agreed to host the U.S.-funded Entrepreneurship Center, which will train regional business people in business skills. Both educational and vocational training curricula have been criticized recently for not adequately preparing Bahrainis for the workforce. The government is making concerted efforts to turn this situation around.

Another major step that the GOB is undertaking is the formation of trade unions. Government officials developed a new labor union law to allow trade unions and to establish a system that would ensure and protect workers rights. The new labor union law went into effect in Fall 2002. Bahrain's trade unions must be associated with the Bahrain Trade Union Federation.

FOREIGN TRADE ZONES/FREE TRADE ZONES

Mina Salman, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. The North Sitra Industrial Estate is an industrial free zone and another one is planned for Hidd. Foreign-owned firms have the same investment opportunities in these zones as Bahraini companies.

A 1999 law requires that investors in industrial, or industry-related, zones launch a project within one year from the date of receiving the land, and development will have to conform to the specifications, terms and drawings submitted with the application. Changes are not permitted without approval from the Ministry of Industry.

FOREIGN DIRECT INVESTMENT STATISTICS

Foreign investments in Bahrain range from partial foreign ownership of large parastatals in the oil and telecommunications sectors to restaurant franchises. As the economy is virtually tax-free, the government does not maintain detailed statistics foreign direct investment flows. The largest, by value, of foreign holdings in Bahrain include:

-- Aluminum Bahrain (ALBA) and the Gulf Petrochemical Industries Complex (GPIC), each of which are owned as joint investments by several Gulf states.

-- Britain's Cable and Wireless' 20 percent holding in the Bahrain Telecommunications Company (BATELCO).

-- U.A.E. based Majid Al Futtaim Investments are investing \$26.4 in the new Bahrain City Center cinema complex.

-- Bahrain National Gas Company (BANAGAS) is owned by Bahrain, a Saudi investment firm and Caltex Bahrain.

-- Amwaj Islands tourism project is jointly owned by Bahraini, Kuwaiti and Saudi corporate and individual investors.

-- The \$600 million tourism project of Al Areen Desert Spa and Resort is owned by the Government of Bahrain, various private investors and Gulf Finance House.

-- The development of the \$1.3 billion Bahrain Financial Harbor project, owned by Gulf Finance House, personal and corporate G.C.C. investors.

According to U.S. Embassy records, approximately 180 U.S. companies were operating, in one form or another, in Bahrain as of January 2005. Many of the U.S. firms are in the services sector and thus do not have a large capital investment in Bahrain despite a significant local presence. Among the larger U.S. investments are:

-- Citibank's new regional headquarters building, opened in 2001, valued at nearly \$30 million.

-- Coca Cola's local bottling plant, purchased at a cost of USD 13 million. Another \$15 million flows into the economy annually with operating costs investment.

-- Shaw-Nass, a manufacturing plant owned by Shaw Industries, a U.S. pipeline manufacturer, in partnership with a Bahraini firm, A.A. Nass.

-- Owners of The Diplomat Radisson SAS Hotel and Executive Apartments expansion project cost owner, National Hotels Company B.S.C., \$18 million.

-- U.S. operational headquartered Foster Wheel Energy Limited, a subsidiary of Foster Wheeler Limited, were awarded a front-end engineering design (FEED) contract to revamp Bahrain National Gas Company's (BANAGAS) liquefied petroleum gas (LPG) facilities.

-- Marriot International signed a contract with International Trading and Investment Company (ITICO) to open and manage the first Marriot Executive Apartments in Bahrain.

-- Wimberly Allison Tong and Goo (WATG) were appointed by the General Organization for Social Insurance (GOSI) to prepare the preliminary designs for the \$212 million resort development of the Marina Club.

American firms are also heavily involved in large-scale consulting and construction projects in Bahrain. Here are some examples:

-- Bechtel is responsible for the Engineering Procurement Construction and Management (EPCM) of aluminum smelter ALBA's \$1.7 billion fifth potline expansion project.

-- Parsons are the designers and supervising engineers for a \$26 million-flyover project in Bahrain's Seef area.

-- Great Lakes Dredge and Dock is performing dredging operations in conjunction with the \$464 million new port.

-- Cisco Systems have signed an agreement with Bahrain's Central Informatics Organization (CIO) establishing a regional Cisco networking academy.

-- Binnie, Black and Veatch International Limited are the consultants of Phase 3 of the Hidd (Power) and Desalination Complex. The project was estimated to cost \$400 million.

-- Kuljian Corporation, are consultants for Ras Abu Jarjur desalination plant expansion, which is estimated to cost \$26.5 million.

WMONROE